

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

PJM Interconnection, L.L.C.

Docket Nos. ER06-1474-002
ER06-1474-003

ORDER ON COMPLIANCE FILING

(Issued June 11, 2007)

1. PJM Interconnection, L.L.C. (PJM) made a compliance filing in response to the Commission's November 21, 2006 Order,¹ providing additional information on its economic transmission planning process and amending its Operating Agreement. In this order the Commission finds that PJM has not fully complied with the conditions established in the November 21 Order, and, therefore, accepts in part and rejects in part PJM's compliance filing and requires a further compliance filing as discussed below. We will defer acting on the requests for rehearing in this case pending review of this further compliance filing.

I. Background

2. Prior to the November 21 Order, PJM based its planning process for "economic"² transmission expansions on the "unhedgeable congestion" approach.³ The November 21 Order conditionally accepted PJM's proposal to replace the unhedgeable congestion

¹ *PJM Interconnection, L.L.C.*, 117 FERC ¶ 61,218 (2006) (November 21 Order).

² PJM divides transmission expansions into two categories: reliability and economic. Reliability expansions are those needed to ensure that load can be met reliably. Economic expansions (also called "market efficiency" expansions) are those that will reduce the costs of meeting load but are not needed to meet load reliably.

³ Unhedgeable congestion is congestion that cannot be mitigated through existing transmission rights or by in-merit generation within the constrained area.

approach with a process that will consider seven congestion metrics.⁴ The Commission stated that the new process was more forward-looking, gave market participants access to both historical information and projections for a 15-year planning horizon and provided regular evaluation of potential economic-based enhancements. The Commission, however, conditioned its acceptance of the filing on PJM making a compliance filing explaining how it will weigh, consider, and/or combine the congestion metrics. The Commission also directed PJM to explain how generators and demand response providers will be included in the economic planning process. We required PJM to state in its Operating Agreement: (1) whether demand response proposals can be made at any time to address the economic constraint; (2) the information necessary to demonstrate that a demand response proposal can eliminate the need for an economic-based upgrade; and (3) the timeline for including demand response, generation or merchant transmission proposals into each annual Regional Transmission Expansion Plan (RTEP).

3. In its compliance filing, PJM states that its evaluation of the metrics cannot be formulaic or rigid, and that it should be flexible enough to permit planners to consider and weigh “appropriately” all relevant factors. PJM adds that, while all of the metrics will be considered, not all may be equally appropriate for a particular upgrade. PJM expects that metric one (total production costs) will be the primary metric for determining the energy market-related benefits of an upgrade. But, PJM states, an upgrade with small production cost benefits might, nevertheless, be considered a “strong” candidate for inclusion into the RTEP if the upgrade produced large reductions in load payments. PJM states that changes in total production cost will be the most conservative valuation of an upgrade, while changes in total load payments will be the most liberal because such changes do not consider bilateral and other hedges (since not all hedges by loads will be known).

⁴ PJM's proposed metrics included (i) total production costs (fuel costs and variable O&M) associated with changes in the PJM generation dispatch pattern allowed by the proposed upgrades' alleviation of transmission bottlenecks; (ii) total load payments (load times load Locational Marginal Price) assuming the customers purchase all energy needs from the PJM spot market; (iii) total generator revenue (generator MW times generator Locational Marginal Price); (iv) zonal load payments (zonal load MW times zonal Locational Marginal Price); (v) zonal Financial Transmission Right credits (as measured using currently allocated Auction Revenue Rights plus additional Auction Revenue Rights made available by the proposed acceleration of a planned reliability-based enhancement or expansion or new economic based enhancement or expansion); (vi) total Transmission System losses; and (vii) total capacity payments under the Reliability Pricing Model (RPM).

4. PJM states that it will not limit the analysis to a single set of assumptions. A comprehensive sensitivity analysis will be conducted around key input parameters such as fuel prices, emission prices, load growth and possible future generation and demand response scenarios.

5. PJM states that it will calculate changes in these metrics that would be produced by potential economic upgrades and post the information on the PJM website. It also will discuss the observed benefits with stakeholders through the Transmission Expansion Advisory Committee. Based on an evaluation of all of these metrics, and the input of stakeholders, PJM will determine whether to recommend that an upgrade be included in the RTEP as an economic upgrade.

6. In addressing the Commission's questions on new technologies, generation, and demand response participation, PJM states that demand response, generation, and merchant transmission will play an important role in PJM's economic transmission planning process. But PJM argues that the RTEP is a transmission plan and that it has no authority to plan or direct installation of demand resources or generation. PJM clarifies that it does not "evaluate" whether an alternative demand response, generation, or merchant transmission project is "more economic" than an RTEP project, but rather includes alternative projects in its study assumptions and relies upon their availability in determining the need for economic-based upgrades in the first instance. According to PJM, the market, not transmission planning, will determine if any particular solution is the most economic solution to an economic constraint.

7. In accordance with the November 21 Order, PJM adds a new subsection (k) to Schedule 6 of the Operating Agreement, to specify how demand resources, generation resources, and merchant transmission facilities will be included in PJM's market efficiency assumptions. First, new subsection (k) specifies resources that will be included in the assumptions because of the high degree of certainty that they will be implemented. These resources include merchant transmission facilities, demand response resources, or generation resources that have made a commitment to the PJM Region as a result of any Reliability Pricing Model (RPM) auction or any Fixed Response Requirement capacity plan pursuant to Schedule 8.1 of the PJM Reliability Assurance Agreement. These resources will be included in the assumptions used in both the annual market efficiency analysis and the annual review of costs and benefits of previously planned projects pursuant to subsection 1.5.7(f). Similarly, demand resources that are certified as Interruptible Load Resources also will be included in the assumptions. Generation resources, merchant transmission facilities, and customer-funded transmission upgrades that are subject to an appropriate executed interconnection service agreement or construction service agreement also will be included in the assumptions. To verify

availability of the given generation, merchant transmission or demand resource, PJM will evaluate new RPM auctions, executed interconnection service agreement or executed construction service agreement and certifications of Interruptible Load Resources.

8. With respect to demand resources, PJM states that the market efficiency analysis assumptions will include an evaluation of the expected level of demand response over at least the ensuing ten years based on analyses that consider historic levels of demand response, expected demand response growth trends, impact of capacity prices, current and emerging technologies, and sensitivity analyses reflecting the level of demand response needed to address congestion.

9. PJM states that expected levels of new generation and generation retirements likewise will be considered. According to PJM, including demand response growth trends and predictable generation additions and retirements in the market efficiency analysis assumptions will enable PJM to avoid a planning process that leads to overbuilding of transmission and to engage in more effective transmission planning. PJM argues that as demand response and generation may be alternative solutions to congestion, demand response and generation trends are important factors in determining the level of economic transmission that would be beneficial in relieving congestion. Moreover, PJM adds, the market efficiency analyses are conducted annually; therefore, in the event the trends change, the transmission plan may be adjusted accordingly.

10. PJM states that demand resources, generation, and merchant transmission facilities described in subsection 1.5.7(k) may qualify at any time and PJM will incorporate them in the market efficiency assumptions whenever they are present. Qualified resources known before the first of January prior to the June presentation of the market efficiency assumptions to the PJM Board for approval will be included in the analysis. However, demand and other resources that subsequently qualify under subsection (k) will not be ignored. PJM will include them in the next RTEP analysis, as well as the annual reviews of prior plans, and, to the extent necessary, PJM will notify any entity with construction responsibility for an economic-based upgrade that the need for the upgrade may be diminished or obviated as a result of the inclusion of the qualified resource in the assumptions for the next annual market efficiency analysis or annual review of costs and benefits.

11. Moreover, as other forms of demand response are introduced into PJM operations and the PJM markets, the behavior of those load customers will be modeled in the market efficiency analyses. To the extent that market behaviors of demand response programs reduce load in congested areas, that reduction will result in congestion relief benefits that can modify the scope of market efficiency driven transmission upgrades, or, if sufficient in size, eliminate their need. To the extent that such demand reductions defer the need

for transmission upgrades, analyses will be updated each year and transmission projects effectively can be deferred indefinitely if demand response development and performance is sufficiently robust.

12. PJM also amends subsection 1.5.7(g) to clarify that, with regard to economic based enhancements and expansions, PJM will provide the Transmission Expansion Advisory Committee with both the level and type of demand response or generation that would eliminate the need for the upgrade. Providing both the level and type of demand response that will preclude the need for an economic upgrade will enable market participants to make better decisions with regard to implementing demand response. For example, an economic-based upgrade may be eliminated by a five percent increase in demand response if the demand response is peak shaving (*i.e.*, energy usage is eliminated) or by a ten percent increase if the demand response is peak shifting (*i.e.*, energy usage is shifted to a later period). Dissemination of this type of information also will permit stakeholders and the states to better evaluate the benefits of developing different types of demand response programs. PJM argues that given the fifteen-year planning horizon, this demand response-related information along with information regarding new generation will enable stakeholders to determine if they desire to develop demand response resources or generation as market alternatives. Additionally, the same analytical tools that PJM uses to evaluate the benefits of demand response with respect to the market efficiency of the grid will be used to evaluate specific demand response behavior patterns that will enable stakeholders to develop more effective programs.

13. PJM also explains that, within the RTEP, it uses new conductor technologies that provide the greatest use of limited transmission corridors. It states that it is implementing High Voltage Direct Current technology and Variable Frequency Transformers through proposals of merchant transmission providers, and Static Var Compensation devices through the RTEP. PJM also states that it will look for further opportunities to enhance the reliability and economic performance of the grid through innovative analysis methodologies and approaches.

14. PJM's filing modifies its Operating Agreement on compliance and provides additional information with regard to the economic transmission planning process. Except for First Revised Eighth Revised Sheet No. 185, PJM requests an effective date of September 9, 2006 for its compliance amendments. PJM requests an effective date of March 1, 2007 for First Revised Eighth Revised Sheet No. 185, which PJM states is consistent with the effective date of Eighth Revised Sheet No. 185.

II. Notice of Filings and Responsive Pleadings

15. Notice of PJM's compliance filing was published in the *Federal Register*, 72 Fed. Reg. 15133 (2007), with protests and interventions due on or before April 11, 2007.

FirstEnergy Companies (FirstEnergy)⁵ and the New Jersey Board of Public Utilities (the New Jersey Commission) filed interventions and comments. The PSEG Companies (PSEG)⁶ filed an intervention and protest. The California Electricity Oversight Board (CEOB) filed a timely motion to intervene. PJM filed an answer

16. In its comments, FirstEnergy states that it endorses the improvements to the RTEP reflected in PJM's compliance filing, but notes that many explanations provided by PJM are not reflected clearly in the language of the tariff.

17. The New Jersey Commission argues that PJM should clarify that the review of proposed economic transmission enhancements will determine and disclose zonal production costs and zonal generator revenues. It states that PJM's proposal to provide only an aggregation of its metrics across the entire region provides no insight into where benefits to anyone other than loads are occurring, or into the size of these localized benefits compared with the size of the benefits that loads would be projected to receive. Finally, it argues that PJM's metrics are too narrow to capture the full economic impacts of an economic transmission upgrade. For example, the New Jersey Commission states that PJM's metrics do not consider whether the transmission line would lead to the increased dispatch and development of coal generation, which in turn leads to increased air pollution.

18. The New Jersey Commission also states that a reduction in capacity payments (metric vii) should not be considered an economic benefit resulting from an economic-based transmission upgrade. The New Jersey Commission states that PJM's new capacity construct -- Reliability Pricing Model (RPM) -- will increase capacity prices and the cost of electricity to New Jersey customers with only speculative benefits offered in return. The New Jersey Commission states that economically-based transmission upgrades will certainly work against RPM by making it less likely that more capacity will be constructed within a Locational Deliverability Area. The New Jersey Commission states that PJM is proposing to include as an economic benefit for consumers an alleged reduction of costs that have not yet provided customers with any benefit and of which no party has guaranteed will provide any customers with any benefit.

⁵ FirstEnergy Companies are comprised of: Jersey Central Power and Light Company, Metropolitan Edison Company and Pennsylvania Electric Company.

⁶ PSEG Companies are comprised of: Public Service Electric and Gas Company (PSE&G), PSEG Power LLC (PSEG Power) and PSEG Energy Resources and Trade LLC (PSEG ER&T).

19. PSEG states that PJM has not complied with the Commission's directive to explain how PJM will weigh, consider and/or combine its metrics. According to PSEG, PJM provides no meaningful guidance or rationale to understand exactly how it will proceed to determine whether an economic upgrade does or does not provide a net social benefit to costumers. PSEG argues that the Commission cannot accept such vague metrics as just and reasonable, and further argues that stakeholders have a right to know the weight which PJM will accord each metric.

20. In addition, PSEG argues that the total load payments metric more accurately measures the net benefit of an economic upgrade than the changes in total system production costs. According to PSEG, determining impacts on generators on either side of the constraint is simply not relevant in determining whether load should pay for a new economic transmission project. The only valid measure of net benefit of a transmission project is to examine whether load in the entire PJM system will pay less once the economic transmission project is built. To calculate this, argues PSEG, PJM should examine the total load payment and subtract the total Financial Transmission Rights (FTR) credits.

21. PSEG further argues that PJM's forecasting proposal remains vague and uncertain and fails to meet the requirements of providing assurances to stakeholders. For example, PSEG states that PJM fails to explain whether it will include in its assumptions that its reserve margin for generation continues to be met during the planning period or whether PJM will assume noncompliance with its reserve obligation. PSEG concludes that if PJM is to be taking on the difficult task of forecasting energy costs into the future (a task that the PSEG believes is fraught with risks and which PJM should not take on), there must be reasonable assumptions and probabilities placed in that forecasting process.

22. In addition, PSEG contends that the compliance filing gives preferential treatment to expected demand resources as opposed to expected generation for economic transmission planning purposes. In its protest, PSEG argues that PJM tariffs should use comparable criteria for evaluating expected demand resources and expected new generation. It states that, for example, the transmittal letter indicates that the "impacts of capacity prices" will be a factor in determining the expected level of demand resources but inexplicably omits this factor in evaluating new generation. Other factors identified for the evaluation of demand resources, but not mentioned for generation resources, include "growth trends" and "new technologies."

23. Furthermore, PSEG expresses concern that PJM's market efficiency analysis (1) will not include assumptions relating to results of RPM simulated out for the entire

planning period; (2) is unclear as to whether it includes the assumption that PJM's reserve margin for generation continues to be met during the planning period and (3) does not include assumptions regarding a national carbon cap and trade program.

24. In response to PSEG's protest regarding the lack of detail in how PJM will weigh the various congestion metrics, PJM in its answer states that it will not apply a formulaic approach to economic planning. Instead, PJM states that one of its principal tasks is the dissemination of information and analysis of economic needs and solutions to PJM's stakeholders and regulators. A formulaic approach, according to PJM, would not only tie the hands of the planners seeking to analyze a variety of interdependent facts and circumstances, but also would tie the hands of this Commission and state regulators in weighing those factors differently based on the unique circumstances presented. PJM maintains that transmission planning is not an exact science and to apply a strict formulaic approach here would prevent PJM planners and policymakers at the state and local level from having the flexibility required to make the best possible decisions with regard to the transmission system.

25. PJM also disagrees with PSEG on the issue of importance of the production cost savings metric. PJM states that the Commission has previously observed that "production cost savings serve to make everyone collectively better off."⁷ Total production costs decrease when an economic upgrade enables more efficient dispatch of generation. PJM states that this decrease in cost reflects a societal benefit of the upgrade. Reduction in total production costs also indicates that cheaper generation may be available to customers that otherwise would be inaccessible to them because of a constraint. Eliminating constraints also increases competition which results in societal benefits. PJM also adds that total production cost metric is intended to be the primary metric, but not the sole metric that will be considered in determining the benefits of an economic upgrade.

26. PJM responds to the New Jersey Commission's request for clarification regarding zonal production costs and zonal generator revenues by stating that it will produce to stakeholders and state commissions, and will make publicly available, changes in production costs and generator revenues on a zonal basis. PJM adds that it has already provided this type of information to the stakeholders at the April 18, 2007 meeting of the Transmission Expansion Advisory Committee.

⁷ *New PJM Cos.*, 107 FERC ¶ 61,271, at P 50 (2004), *reh'g dismissed*, 110 FERC ¶ 61,009 (2005).

27. PJM also disagrees with the New Jersey's Commission arguments regarding metric vii. PJM states that the New Jersey Commission attacks the total capacity payment metric by attacking the likelihood of potential benefits from PJM's new RPM capacity construct. However, PJM argues, the benefits of RPM are not at issue in this proceeding. PJM opposes the New Jersey Commission's argument that economically-based transmission upgrades will work against RPM by making it less likely that more capacity will be constructed within a Locational Deliverability Area. To the contrary, argues PJM, RPM and the RTEP are designed to work together to ensure the long term adequacy and reliability of the PJM grid. To the extent that generation or demand response projects develop in constrained areas, capacity price signals will reflect that development and thus will not serve as additional justification for further upgrades to the transmission system. If, however, generation or demand response projects do not develop in constrained areas, transmission will be required to ensure long-term reliability and the market efficiency of the grid. Moving forward, the long-term signals provided by the planning process should allow ample opportunity for generation and demand response projects to obviate the need for transmission system upgrades. In the absence of such projects, an economic transmission upgrade that permits the importation of capacity from outside a Locational Deliverability Area will reduce capacity payments by customers.

III. Discussion

A. Procedural Matters

28. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2006), the notice of intervention and timely, unopposed motions to intervene of the New Jersey Commission, FirstEnergy, PSEG, and CEOB serve to make them parties to the proceeding.

29. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2006), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept PJM's answer because it has provided information that assisted us in our decision-making process.

B. Analysis

1. PJM's Metrics

30. We will not accept PJM's compliance filing on its metrics. The November 21 Order accepted PJM's filing conditioned on PJM providing the method by which it would weigh the seven metrics in determining whether a project qualifies. In its compliance filing, PJM has not provided any discernible method by which it plans to weigh, consider and/or combine the various metrics it proposes for determining the net economic benefits

of a project. If the metrics for determining whether projects qualify as economic projects remain vague and are not in PJM's tariff, the parties opposing a project (or the cost allocation that will result from the project) could contest PJM's assumptions and analysis. A consequence of this is greater uncertainty that could adversely affect decisions by private investors. In a recent Commission order regarding PJM's cost allocation (Docket No. EL05-121-000), the Commission explained why such vague criteria can lead to increased litigation:

...we find that the existing methodology for allocating the costs of new facilities within PJM is no longer just and reasonable because, although it seeks to allocate costs to beneficiaries, it does so without providing any ex ante certainty. The methodology is not set forth in the tariff and, because of that, the assumptions and criteria for cost allocation are relitigated each time a new project is approved by PJM. This deprives entities seeking to build new infrastructure from any certainty as to who will pay for such infrastructure.⁸

31. Accordingly, we direct PJM to file a formulaic approach to choosing economic projects proposed to reduce congestion that describes exactly how any metrics will be calculated, weighed, considered and combined.⁹ One example of such an approach is the Midwest Independent Transmission System Operator, Inc.'s so-called "weighted gain-no loss metric," which calculates the anticipated annual benefits of a proposed project to customers using two present value metrics: (1) the production cost benefit (weighted at 70 percent); and (2) the locational marginal price energy cost benefit (weighted at 30 percent).¹⁰ PJM is, of course, free to develop its own formula and to determine which metrics will apply, but the result should be that projects satisfying the "bright-line" formula will be presumptively included in the RTEP.

32. However, we realize that not all the beneficial economic projects may be easily identified using a formula. There may be circumstances in which projects failing to pass the "bright-line" formula should, nevertheless, be included in the RTEP. Accordingly, if

⁸ *PJM Interconnection, L.L.C.*, 119 FERC ¶ 61,063, at P 65 (2007).

⁹ For instance, PJM should list in its Tariff the general categories of costs that will be included in the total production cost metric.

¹⁰ *Midwest Independent Transmission System Operator, Inc.*, 118 FERC ¶ 61,209, at P 5-9 (2007).

PJM wants to include projects that fail the “bright-line” formula, it may propose a tariff provision that will permit it to include such projects on a case-by-case basis. Such a tariff provision must be based on a set of metrics or factors set forth in PJM’s tariff and must obligate PJM to explain in detail to all stakeholders the analysis showing why the project is justified. The seven metrics proposed by PJM in its filings in this proceeding could be used to help to identify a broader array of net economic benefits that would result from an upgrade.¹¹

33. With regard to the New Jersey Commission’s argument about metric (vii) that captures the effect of capacity prices, in light of our discussion above we find that it is premature for us to decide whether this metric should be included in the “bright-line” formula that we are requiring PJM to implement. However, if PJM and its stakeholders decide to use this metric under the second, alternative approach to justifying projects that we describe above, PJM would need to provide more specific evidence as to why this metric is important.

34. With regard to the New Jersey Commission’s request for clarification regarding zonal production costs and zonal generator revenues, we will require PJM to amend its tariff to clarify, as it did in its Answer, that it will produce to stakeholders and state commissions, and will make publicly available, changes in production costs and generator revenues on a zonal basis.

35. The New Jersey Commission also argues that PJM’s economic planning approach should have a broader scope, and consider environmental metrics, such as the cost of pollution, in addition to economic metrics. Schedule 6 of PJM Tariff expressly states that any construction of upgrades is subject to the requirements of the applicable law, government regulations and approvals, including, without limitation, requirements to obtain any necessary state or local siting, construction and operating permits.¹² Should a government agency have concerns, such as environmental concerns, related to an upgrade, it may address those concerns in any required federal, state or local proceeding concerning the siting of the facility. Nothing in PJM’s economic planning process infringes upon other agencies’ authorities to consider and address such concerns. In addition, we note that PJM’s filing indicates that it will include the economic costs of

¹¹ November 21 Order at P 23.

¹² Operating Agreement, Schedule 6, section 1.7 (a)

complying with environmental laws and regulations in its simulations of total production costs by considering emissions prices and costs. We expect PJM to provide greater clarity regarding this matter in its compliance filing.

2. Role of Generation, Demand Response and Advanced Technology

36. We will accept the second part of PJM's compliance filing on participation of demand response, generation, and advanced technologies in the planning process. We find that PJM has provided us with sufficient information detailing how it will consider these resources in its annual planning process.

37. However, we agree with PSEG that PJM needs to provide more detail with regard to how it will consider generation availability trends and ensure that subsections 1.5.7(k)(vii)¹³ and (viii)¹⁴ of Schedule 6 of the Operating Agreement are comparable in describing how PJM will model demand response and generation trends. In its answer, PJM states in evaluating future generation it will conduct three simulations to evaluate expected generation. First, PJM will look at generation trends based on existing generation on the system. Second, it will project trends based on generation in the interconnection queues. And third, it will consider RPM clearing prices projected for the entire planning period. We find this information useful and will require PJM to include it in subsection 1.5.7(k)(viii).

38. Addressing PSEG's concern about the assumptions about the availability of generation, we find that the new subsection (k) of section 1.5.7 of Schedule 6 of PJM's Operating Agreement clearly states that generation with executed Interconnection Service

¹³ Subsection 1.5.7(k)(vii) provides, with regard to demand response, that PJM will consider the "Expected level of demand response over at least the ensuing ten years based on analyses that consider historic levels of demand response, expected demand response growth trends, impact of capacity prices, current and emerging technologies, and sensitivity analyses regarding the foregoing."

¹⁴ Subsection 1.5.7(k)(viii) provides, with regard to generation, that PJM will consider the "Expected levels of potential new generation and generation retirements over at least the ensuing ten years."

Agreements and generation and demand response that are committed in the RPM auctions will be included in every analysis and are the starting point because of their degree of certainty.

39. PJM addresses PSEG's concern over a national carbon cap-and-trade program by stating that PJM will study the carbon program and develop appropriate and meaningful assumptions for its analyses. PJM maintains that it is working on developing these assumptions through the Transmission Expansion Advisory Committee and will review with stakeholders assumptions related to the treatment of carbon as they are developed. We find PJM's answer to be satisfactory because we interpret subsection 1.5.6 (f) to incorporate a process for reviewing changes in system conditions, including changes in assumptions regarding the availability and operations of generation.

C. Rehearing Requests

40. In Docket No. ER06-1474-002, FirstEnergy, PSEG and the New Jersey Commission requested rehearing and clarification of the November 21 Order. Specifically, these parties raised issues pertaining to the cost/benefit analysis performed by PJM, congestion metrics, forecasting techniques, and other issues raised in the November 21 Order. Because we find that PJM's compliance filing has not adequately addressed the conditions set forth in the November 21 Order and that PJM must make a further compliance filing, we will defer acting on these rehearing requests pending PJM's further compliance filing.

The Commission orders:

(A) PJM's compliance is hereby accepted in part and rejected in part, as discussed in the body of this order.

(B) PJM is hereby directed to submit a further compliance filing, within 120 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.